



Suzanne Henderson

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Producers 88 (4-89) — Paid Up
With 640 Acres Pooling Provision

PAID UP OIL AND GAS LEASE (No Surface Use)

THIS NO SURFACE USE OIL & GAS LEASE AGREEMENT is made this 14th day of May, 2009, between W.R. GARDNER, 4928 RIVERBEND, FORT WORTH, TEXAS 76109 as Lessor, and PALOMA BARNETT, LLC, 1024 Main Street, Suite 2600, Houston, Texas 77002-6066 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises: **SEE EXHIBIT "A"**

in the County of TARRANT, State of TEXAS, containing 19.108 gross acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). Expressly excluded from this Lease are lignite, coal and other like minerals. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty-five percent (25.00%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty-five percent (25.00%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee may, at any time and from time to time, deliver to Lessor a recordable written release of this Lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder. In any event, upon termination of this Lease, Lessee, its successors or assigns shall deliver to Lessor a recorded release within ninety (90) days as to such portion or portions of this Lease which have terminated under the terms of this Lease. Upon the expiration of the primary term of this lease, upon the expiration of any extension or renewal of the primary term, or after cessation of operations as provided herein, whichever occurs last, this Lease shall terminate as to all rights lying below one hundred feet (100') below either (1) the deepest depth drilled in any well drilled in any well drilled on the leased premises or on lands pooled therewith, or (2) the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the leased premises or on lands pooled therewith, whichever is the deepest; provided, however, if Lessee is then engaged in operations on the leased premises or on lands pooled therewith, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between operations.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

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9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements; or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas and other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a subsurface well bore easement under and through the lease premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and terminate 2 years after the last well bore has been plugged and abandoned.

15. Lessor makes no warranty of any kind with respect to title to the Land, except by, through and under Lessor. By acceptance of this lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures except by, through and under Lessor. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the land, and in the event Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of it.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

18. This lease is limited to oil, gas, sulphur, and associated liquids or liquefiable hydrocarbons produced from a well bore. All "other minerals" are reserved to the Lessor.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor

LESSOR (WHETHER ONE OR MORE)

W R Gardner
W.R. GARDNER

STATE OF TEXAS
COUNTY OF TARRANT

ACKNOWLEDGMENT

This instrument was acknowledged before me on the 15th day of May, 2009 by W.R. GARDNER



Kristan Medina
Notary Public, State of Texas
Notary's name (printed): Kristan Medina
Notary's commission expires: 7/2/12

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on the _____ day of _____, 20____, by _____

Notary Public, State of Texas
Notary's name (printed): _____
Notary's commission expires: _____

CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on the _____ day of _____, 20____, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public, State of Texas
Notary's name (printed): _____
Notary's commission expires: _____

RECORDING INFORMATION
STATE OF TEXAS

County of TARRANT

This instrument was filed for record on the _____ day of _____, 20____, at _____ o'clock _____ M., and duly recorded in

Instrument Number:: _____ of the _____ records of this office.

By _____

EXHIBIT "A"

Part 1: BEING 6.430 acres of land, more or less, situated in the County of Tarrant, State of Texas, and being out of the D. Strickland Survey, Abstract No. 1376, and being all of Tract F of six tracts of land conveyed by Pansy Madeline Bolen et al to Percy L. Cook, Paul Winters and W. R. Gardner by deed dated April 14, 1965 and recorded in Volume 4056, Page 148 of the Deed Records, Tarrant County, which 6.430 acres of land, more or less, are more particularly described as follows:

BEGINNING at the southeast corner of the above mentioned Tract F, said point also being the intersection of the North line of Lot 2 of the A.C. Bolen Addition and the westerly line of the Texas Electric Service Company tract;

THENCE North 89 degrees 47 feet West with the South line of said Tract F and the North line of said Lot 2 a distance of 1,081.58 feet to the southwest corner of said Tract F, said point being in the center of Village Creek;

THENCE North 24 degrees 53 feet East with the westerly line of said Tract F and the center of said Village Creek a distance of 278.81 feet to the northwest corner of said Tract F;

THENCE North 88 degrees 44 feet East with the North line of said Tract F a distance of 1,027.89 feet to the northeast corner of said Tract F, said point also being in the westerly line of Texas Electric Service Company's tract;

THENCE South 12 degrees 45 feet West with the easterly line of said Tract F and westerly line of Texas Electric Service Company's tract, a distance of 286.93 feet to the point of beginning.

Part 2: BEING 12.678 acres of land, more or less, situated in the County of Tarrant, State of Texas, and being out of the D. Strickland Survey, Abstract No. 1376, and being all of Lot 1 of the A.C. Bolen Addition to the City of Arlington, Tarrant County, Texas, according to a map or plat of said addition in Volume 388-33, page 83 of the Deed Records, Tarrant County, Texas, and also being a part of Tract D which said Lot 1 and said Tract D was conveyed to Perry L. Cook, Paul Winters, and W.R. Gardner by deed dated April 14, 1965 and recorded in Volume 4056, page 148 of the Deed Records, Tarrant County, Texas, which 12.678 acres of land, more or less, are more particularly described as follows:

BEGINNING at the northwest corner of the above mentioned Lot 1;

THENCE North 88 degrees 44 feet East with the North line of said Tract D a distance of 1,013.08 feet to the northwest corner of a tract of land conveyed to B.J. Bolen by deed of record in Volume 2460, page 196 of the Deed Records, Tarrant County, Texas;

THENCE with the West and South line of B.J. Bolen's tract, the following courses and distances:

South 01 degrees 06 feet West a distance of 149.78 feet to a point;

North 88 degrees 56 feet a distance of 265.05 feet to a point in the most easterly East line of said Tract D, said point being the West line of Kenneddale-Bowman Springs Road (County Road No. 2065);

THENCE South 00 degrees 50 feet West with the most easterly East line of said Tract D and the westerly line of Kennedale-Bowman Springs Road, a distance of 526.16 feet to the southeast corner of said Tract D, said point being the North line of Bolen Road;

THENCE North 89 degrees 43 feet West with the South line of said Tract D and the North line of said Bolen Road, a distance of 39.75 feet to a point in the proposed southerly right of way line of Int. Hwy 20, said point being South 89 degrees 43 feet East a distance of 756.33 feet from the most southerly southeast corner of said Tract D;

THENCE North 42 degrees 42 feet West with said proposed southerly right of way line, a distance of 14.78 feet to a point;

THENCE in a northwesterly direction continuing with said proposed right of way line along the arc of a circular curve to the right having a radius of 974.93 feet and through a central angle of 14 degrees 53 feet 01 inch a distance of 253.26 feet to a point of tangency;

THENCE North 69 degrees 52 feet West continuing with said southerly right of way line, a distance of 182.50 feet to a point of tangency, said point being 339.75 feet southerly of and at right angles to Int. Hwy. 20, centerline survey station 146+93.72;

THENCE in a northwesterly direction continuing; with said proposed southerly right of way line along the arc of a circular curve in the left having; a radius of 1,412.10 feet and through a central angle of 13 degrees 41 feet 18 inches a distance of 337.43 feet to a point in the East line of Bolen Road;

THENCE North 00 degrees 16 feet East with the East line of said Bolen Road, a distance of 257.55 feet to a point;

THENCE North 89 degrees 19 feet West with the North line of said Bolen Road, a distance of 50.00 feet in a point in the West line of said Bolen Road, said point also being in the East line of said Lot 1;

THENCE South 00 degrees 10 feet West with the West line of said Bolen Road, a distance of 100.12 feet to the southeast corner of said Lot 1;

THENCE North 89 degrees 47 feet West with the South line of said Lot 1, a distance of 486.98 feet to the southwest corner of said Lot 1, said point also being in Texas Electric Service Company's easterly right of way line;

THENCE North 12 degrees 45 feet with the West line of said Lot 1, a distance of 288.99 feet to the point of beginning.